

Message Text

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ORIGIN OPIC-06

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FM SECSTATE WASHDC

TO AMEMBASSY NOUAKCHOTT

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FROM OPIC

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: VISIT OF SNIM OFFICERS TO OPIC

1. ON OCTOBER 28, SNIM DELEGATION, AMBASSADOR KOCHMAN AND FIRST SECRETARY SIDI OF EMBASSY MET WITH OPIC OFFICERS AT OPIC OFFICES FOR LUNCH FOLLOWED BY MEETING TO DISCUSS GUELBS PROJECT. OPIC PARTICIPANTS INCLUDED OPIC PRESIDENT MAYS, EXECUTIVE VICE PRESIDENT GREGG, VICE PRESIDENT FINANCE HOPE, DIRECTOR OF INSURANCE/AFRICA MIDDLETON AND DIRECTOR OF FINANCE/AFRICA HENDERSON AND OTHERS. OPIC HIGHLY IMPRESSED WITH MR. AMAR AND HIS DELEGATION WHO GAVE EXPLANATION OF PROJECT AND ANSWERED QUESTIONS IN STRAIGHT-FORWARD MANNER.

2. UNFORTUNATELY THE OWNERSHIP OF THE PROJECT (100 PERCENT GIRM OWNED), MANAGEMENT OF THE PROJECT (GIRM MANAGED), AND CONTEMPLATED FINANCIAL STRUCTURE (DEBT PORTYON 'O BEPRI-UNCLASSIFIED

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MARILY SUPPLIER CREDIT AND ARAB/EUROPEAN SOURCE CONCES-

SIONAL LOANS) CREATES DIFFICULT PROBLEMS FOR OPIC PARTICIPATION IN THE PROJECT. THE OPIC INSURANCE MINERAL POLICY REQUIRES IF PROJECT IS MAJORITY OR MORE OWNED BY THE HOST GOVERNMENT, THAT THERE MUST BE AT MINIMUM PRIVATE MANAGEMENT OF THE PROJECT FOR OPIC TO INSURE LOANS TO THE PROJECT. HOWEVER, OPIC'S BOARD OF DIRECTORS COULD CHANGE THAT POLICY. ONE POSSIBLE JUSTIFICATION FOR SUCH A POLICY CHANGE WOULD BE IF A U.S. COMPANY ENTERED A LONG-TERM PURCHASE CONTRACT FOR CONCENTRATES. IT COULD BE ARGUED THAT THE GROWING NEED FOR THE UNITED STATES TO FIRM UP SUPPLIES OF RAW MATERIALS FROM OVERSEAS WOULD JUSTIFY SUCH A POLICY CHANGE.

3. OPIC'S FINANCE POLICY LIMITS ITS PARTICIPATION TO PROJECTS WHERE A U.S. MINING COMPANY IS INVOLVED IN THE EQUITY AND HAS A SUBSTANTIAL VOICE IN PROJECT MANAGEMENT. MAXIMUM OPIC FINANCING WOULD BE TWENTY-FIVE MILLION DOLLARS BY WAY OF OPIC GUARANTY ON A LOAN TO THE PROJECT FROM A U.S. BANK.

4. AMAR SAID THAT SNIM WILL BE DEVELOPING OTHER MINERAL DEPOSITS IN MAURITANIA INCLUDING PHOSPHATES AND WILL BE LOOKING FOR PRIVATE INVESTORS TO FORM JOINT VENTURES WITH IT TO DO THESE PROJECTS. THE REASON GUELBS IS NOT BEING APPROACHED IN THIS MANNER IS QUOTE HISTORICAL END QUOTE.

OPIC PRESIDENT MAYS EXPLAINED TO AMAR OPIC'S SINCERE INTEREST IN ASSISTING FUTURE MINERAL DEVELOPMENTS IN MAURITANIA. BOTH OPIC INSURANCE AND FINANCE WOULD, IN PRINCIPLE, BE AVAILABLE TO SUPPORT JOINT VENTURE MINING PROJECTS WHERE PRIVATE INVESTORS ARE SUBSTANTIALLY INVOLVED IN PROJECT MANAGEMENT AND HAVE AN ECONOMIC INTEREST IN THE PROFITABILITY OF THE PROJECT. KISSINGER

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